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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

A VIOLENT SOCIAL OUTBREAK ON THE STOVE?

The PRI candidate for president, Roberto Madrazo, warned about the disparity of wealth in the Mexican countryside creating suitable conditions for a violent social outbreak. "If you recall, historically, violent social movements were not generated in the poorest countries but in the ones with strong disproportions. It is clear that the southern part of Mexico is facing a problem of equity, which has never been solved. This stability is jeopardized as the Mexican countryside has suffered from abandonment in recent times. This is the same stability that is challenged, on a daily basis, by the social and economic reality in which the people of the countryside live in." In light of the upcoming duty-free import of corn and beans, Madrazo clearly stated that the transition would not be beneficial for Mexico "...the opening is getting closer and if we can imagine what's going to happen to the countryside by 2008, facing the transition without a defined strategy will bring a pessimistic outcome." (Source: Reforma; 06/19/2006)

NON FREE-TRADE PARTNERS ARE WINNING MARKET SHARE IN MEXICO

According to Economy Secretariat data, between 2000 and 2005, the countries that do not have free trade agreements with Mexico have increased their exports into Mexico by 183.2 percent. As a result, these countries have augmented their market share on Mexico's total imports by 12.8 percent. This represents losses for the economies that have trade agreements with Mexico. NAFTA partners, for example, were among those at a loss as their impact on Mexico's total imports has declined by 19 percent. (Source: Reforma; 06/0/2006)

SANITARY RISK OF GRAINS COMING FROM THE UNITED STATES AND CANADA IS MINOR

SAGARPA's general director of the National Service of Health, Food Safety and Quality, Javier Trujillo Arriaga, underscored that the decision to soften the sanitary standard on imported grains (NOM-028 FITO 1995) has a scientific basis. Moreover, it will apply exclusively on shipments coming from the United States and Canada. During an interview and as a reaction to the protests by producer organizations, Trujillo pointed out that statistical data from the last eight years (with 13,000 annual shipments) show that of all the grains imported from the U.S. and Canada, only weeds contain sanitary risks (99.99

percent). This means, he said, that the methyl bromide treatment that has been applied to imported grain shipments at the border, which is paid by the importers, is unnecessary. (Source: El Financiero; 06/20/2006)

GROUPS DEMAND NEW SOCIAL CONTRACT AMONG NAFTA MEMBERS

Representatives of agricultural producers, workers, small businessmen and civil organizations, as well as some legislators, urged all the social groups to propose a new social and trade contract among the signatories of the North America Free Trade Agreement (NAFTA). They warned that Mexico's productive sectors are in an imminent disadvantage under NAFTA and some of them could even disappear. With the federal elections of July 2 being concluded, these groups - with national presence - will be looking for a way to meet the winning candidate to demand a clear position on this topic as well as the details of his government's action plan. They will require solid arguments, not just declarations, as they were stated in the presidential campaign. (Source: La Jornada; 06/20/2006)

DOMESTIC SUGAR SUPPLY GUARANTEED

The President of the Sugar Chamber for the Alcohol and Sugar Industries, Aaron Saenz, expounded over the domestic sugar supplies in the country in a paid advertisement in several local newspapers directed to the Secretaries of Agriculture and Economy, and the President of the Confederation for Industrial Chambers. This announcement was a response to some sugar end user industries that claim that there is a sugar shortage in the country. Mr. Saenz announced that domestic sugar production and supply for 2005/2006 is guaranteed to cover domestic consumption as the current sugar production will reach approximately 5.3 million tons and the Chamber considers that domestic consumption is about 5 million tons. Mr. Saenz added that there are currently 2.9 million tons in inventory to cover demand for June to October 2006, when the new sugar harvest will begin. Inventories are being reviewed to assure consumers that there is enough sugar for consumption. As for the Pitex exporting companies, the sugar industry has sold them more than 88 percent of their needs with respect to the last year. However, the Chamber remains in contact with the official authorities to guarantee sugar supplies for this segment of the industry. As for rising sugar prices, the announcement indicates that prices are being brought in line with both the NAFTA and international market prices. Furthermore, the increase in oil prices has affected costs of production for all commodities, including sugar, causing international prices to increase. (Source: Reforma, Financiero; Universal 06/19/06)

THE STRUCTURAL REFORMS ARE URGENT IN MEXICO: DAVIDOW

According to Jeffrey Davidow, former United States Ambassador in Mexico, the next president will face the same challenges that Vicente Fox had six years ago - labor, energy and fiscal reforms. He pointed out that these reforms are key "to allow for economic growth" and to decrease emigration. He said that today the predominant matter in the bilateral dialogue is migration, but "it is necessary to recognize that the main topic is the economy. People leave looking for opportunities that they do not find in Mexico in order to make money for their families. It won't change even when harder laws are enforced or when a wall is built." (Source: El Financiero; 06/16/2006)

THE WAR OF THE APPLES

Mexican apple growers were granted an *amparo*, or judicial interdiction against a resolution from the Mexican Ministry of Economy (SE) that eliminated the 46.58% tariff applied to apple imports coming from U.S.-based company Washington Exports. After investigating dumping claims from domestic apple growers, the SE found no evidence of unfair trade from the U.S. exporter. "Although having products from other countries affects domestic growers, you can not penalize the innocent", said Jose Vargas, head of the SE's Foreign Trade Policy Branch. UNIFRUT, promoter of the judicial interdiction, criticized the SE for cutting the tariffs in 2005, as it allowed for the growth of apple imports by 76%, worth over \$150 million. UNIFRUT is also demanding the publication of a list of Washington Exports' suppliers, but they will need to indicate that they represent all of Mexico's apple growers. Ironically, the return of the tariff for U.S. apples will also benefit apple imports from Canada and Chile. (Source: Diario Monitor; 06/12&13/06)

NAFTA WILL PROVIDE MORE BENEFITS TO MEXICO

According to Francisco Mayorga, Mexico's Secretary of Agriculture, the discussion for renegotiation of the agricultural chapters of NAFTA "is over". Secretary Mayorga declared that Mexico will honor its international agreements and will look forward to take advantage of opportunities created by trade agreements. "2008 not only means a tariff-free entrance of corn, beans, milk and sugar into our markets", stated Mayorga, "but also represents opportunities to send our tomatoes, citrus, fisheries and other agricultural products to the world's largest market". Growers will not be left alone, he added, but it is also their responsibility to work with their North American counterparts. These declarations coincide with the announcement that in the first three months of 2006, Mexico's agricultural exports to the United States accounted for US \$2,887 million, whereas U.S. agricultural exports to Mexico were worth US \$2,411 million. (Source: Excelsior; 06/16/06)

THERE IS HOPE FOR INDUSTRIES "THREATENED" BY TRADE LIBERALIZATION IN 2008

People working in agricultural sectors that might be negatively affected by full liberalization of trade in 2008 might find opportunities in the livestock and poultry industries, according to Jaime Yesaki, president of the National Agricultural Council (CNA). Growers' associations have criticized NAFTA's full implementation in 2008, claiming that over 2 million people employed in the grain industry will be affected. Yesaki said these "displaced workers" could find opportunities in other agricultural areas, especially in those that have shown large development rates in the last ten years, like poultry, which has registered annual growth rates of over five percent. Yesaki also stated that a key issue restricting job-generation in agriculture is the slow rate of added value to food products, explaining that Mexico has a 1.7 rate of added value to agricultural production, while the rate in the United States is up at 5.4. (Source: Excelsior; 06/16/06)

MEXICAN TABLE GRAPES AND MANGOES ARE EXPECTED TO HAVE GOOD EXPORT DEMAND

According to a local newspaper report, Blanca Villarelo, Director of ASERCA (Supports and Services to the Commercialization of Agriculture), forecasts that Mexican table grapes and

mangoes will be the Mexican agricultural exports that will see the most increasing demand in the next few years. She indicated that table grape exports went from 160,000 MT in 2002 to 190,000 MT in 2005, which represented for Mexican producers sales of \$157 million in 2005. While mango sales have gone down in the same period of time from 234,000 MT to 195,000 MT due to phytosanitary problems, producers are expecting demand to recuperate this year due to larger supplies. Mangoes are again being exported to Asia, while table grapes are beginning to gain more status in Europe. However, most table grapes (99 percent of them) are exported to the United States and the rest to India and Central America. (Source: Excelsior; 06/22/06)

THE RENEGOTIATION OF NAFTA AGRICULTURAL CHAPTER IS DECLARED UNFEASIBLE

The United States and Canada already notified Mexico that if the North America Free Trade Agreement (NAFTA) were reopened to discuss topics concerning corn and dry beans, then other products like vegetables, meats, fruits and sugar would be automatically renegotiated. Therefore, Fox's administration believes it is not convenient to get into this process. The Secretary of Economy, Sergio Garcia-de-Alba, stated that the liberization of corn and dry beans in 2008, under NAFTA, has been politicized with magnified alarmist declarations that take advantage of the electoral process. Although white corn is a sensitive product, it does not compete with U.S. production, as Mexico produces 18 MMT and the U.S. only 2 MMT, according to Garcia de Alba. (Source: EL Financiero; 06/22/2006)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6047	Weekly Highlights and Hot Bites #23	6/16/06
MX6046	Asparagus Annual	6/14/06
MX6045	Weekly Highlights and Hot Bites #22	6/12/06
MX6044	Weekly Highlights and Hot Bites #21	6/2/06
MX6043	Tomato Annual	5/30/06
MX6042	Weekly Highlights and Hot Bites #20	5/30/06
MX6041	Weekly Highlights and Hot Bites #19	5/19/06
MX6040	Coffee Annual	5/15/06
MX6039	Dairy Semi-Annual	5/15/06
MX6038	Weekly Highlights and Hot Bites #18	5/15/06
MX6037	Cotton Annual	5/12/06

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